August 19, 2010 IHBA Presentation

Value-Based Health Care Reform Workgroup

Legislative Health Care Coverage Commission

Thank you for this opportunity to present our thoughts regarding your important work. My name is Garth Bowen and I'm the Co-Chair of the Iowa Health Buyers Alliance.

The Alliance is an association of consumers and purchasers working together for better health, better health care and better value. We encourage labor and management to work together as health care customers. The Alliance understands the importance of wellness and health promotion, that quality costs less, and that transparency and public reporting in the health care industry will help create needed change. Currently our members include over 40 Iowa organizations which buy and receive health care for more than 500,000 Iowans. We are Iowa's only consumer and purchaser organization focused on health and health care.

We salute your effort and the work of this Commission. It is very important for all Iowans. Coverage and access to health care, costs and quality are all key issues and are related to one another. Often, there is a direct, but inverse relationship between cost and access. As you know rapidly escalating health care cost tends to reduce coverage by making it less affordable.

Effective actions to increase value by improving quality and driving-out costs are essential. We believe it very difficult if not impossible to sustain coverage without action on the cost and quality front. While health promotion and wellness have much potential to improve health, our focus today is on what can be done to improve value in medical care and health care.

It is our belief that the best way to improve health care value is to improve quality and patient safety which will in turn drive-out cost. There are a lot of opportunities to do so in our current health care industry. Let me give you a few examples:

- Thirty percent (30%) of health care cost are due to poor-quality. This resulted in cost of about $2,900 per covered employee based upon Towers Perrin latest (2009) employer/employee health care costs. In addition, the indirect costs of poor quality (e.g. reduced productivity due to absenteeism) add an estimated 25 to 50%. Source: Midwest Business Group on Health 2003 report "Reducing the Costs of Poor-Quality Health Care through Responsible Purchasing Leadership" This report was prepared in collaboration with the Juran Institute and guidance from an expert panel.

- Preventable hospital acquired infections claim at least 20,000 and up to 60,000 lives each year and resulted in up to $18 B in unnecessary expenses each year. Source: same as above.

- About 98,000 preventable deaths from medical errors in hospitals each year. Source: 1999 report of the Institute of Medicine. Note: In 2004, Health Grades updated this number to be 195,000 deaths.

- About one-third of common surgical procedures may not be necessary. About one-third of procedures were provided for reasons that were not supported by clinical research and may have been harmful to patients. These include angioplasty, CABG, angiography, and hysterectomy. Source: RAND Corporation report "U.S. Health Care: Facts about Cost, Access, and Quality", 2005.

- Overall, about one-half of recommended care is received. Recommended care for acute care problems (e.g., pneumonia and urinary tract infections) was provided 54 % of the time. Source: same as above.

- "About 70% of what we do is non-value added (waste)." Source: John Toussaint, MD, President and CEO of ThedaCare, Appleton, WI, 2005 presentation to the Institute for Health Care Improvement. ThedaCare is a large organization of hospitals and physicians in Wisconsin.

We are told that health care in Iowa is better than most places in the U.S. That is good. However, even in Iowa there is wide variation in quality and cost and many opportunities for improved value.

What will it take to motivate hospitals and other providers to make health care of higher quality and safer? That is the question raised many. Evidence is available on the effectiveness of three major approaches: regulation/accreditation, financial incentives, and public reporting of performance and feedback to providers. Of the three the most promising is meaningful public reporting. This was reported in the March issue of the Commonwealth Fund publication Perspectives on Health Reform. In this article Lucian L. Leape, MD, Adjunct Professor, Department of Health Policy and Management, Harvard School of Public Health explains the importance of public reporting. Dr. Leape points out "From an ethical standpoint, the argument in favor of transparency is straightforward: the public has a vital stake in the outcomes of health care, and therefore it has the right to know how we are doing. The contrary argument that hospitals and doctors have a right to keep their results secret in order protect those with bad results is patently untenable."

Additionally, James B. Conway with the Institute for Healthcare Improvement recently stated; "Consistent advancing quality requires transparency….it's hard to have safety where you don't have transparency."

Furthermore, public reporting is also a necessary part of improving financial incentives. At your last meeting you heard about the new emerging Accountable Care Organizations (ACOs) as part of Dr. Kitchell's presentation "Paying for Value: Higher Quality, Lower Costs". It turns out that public reporting will be necessary for these ACOs to work effectively. We agree that "done right" these ACOs have the potential for improving quality

and affordability. The Consumer-Purchaser Disclosure Project (a collaboration of leading national and local employer, consumer, and labor organizations) has identified the four big issues for ACOs: 1) Are ACOs delivering on their fullest potential with meaningful and significant improvement in quality and savings? 2) Beware of emerging cartels! 3) Alignment between public and private sectors, and 4) Are patient-centered provisions in place?

How will ACOs be different from HMO's and other managed care of the past? Transparency and meaningful public reporting will be essential for the success of ACOs and for the public to measure the results.

In his comments Dr. Kitchell also described how we know there is unnecessary or ineffective care. Referring to the Dartmouth research on geographic variation, he reported it shows over 30% of health care cost is wasted. That is a conservative number as I have indicated by the facts above. The IHBA recently published Guide 4: Ranking of Hospitals for Chronic Care, Greater Iowa Area using data from the Dartmouth Atlas. To be clear, Dartmouth shows not only wide variation and waste across the U.S., but also within Iowa. Our report shows large disparity in the amount of hospital care for serious chronic disease such as cancer, heart disease and lung disease exist depending upon which hospital provides the care. This discrepancy has lead Dartmouth researchers to conclude that "aggressive medical care can lead to more pain, with no gain".

IHBA also published our Guide 3: What Patients Say About Their Experiences with Hospital Care in the Greater Iowa Area". It shows wide variation and opportunities to improve in Iowa as well. Patients who said they would definitely recommend the hospital based upon their experience ranged from a high of 85% to a low of 54% in greater Iowa. There is also wide variation in measures such as "Nurses and Doctors Always Communicate Well' and other factors important to patients and good outcomes.

Thus, we believe strongly that meaningful transparency and full public disclosure are the key building blocks for value improvement in health care. The importance of transparency and meaningful comparative public reporting of health care provider performance on quality, patient safety and price/cost is now broadly recognized. It has proven to be an important catalyst for needed change and improvement in the health care industry. It is also essential for consumers and patients.

There is a lot of very good work underway which advances meaningful public reporting, disclosure, and accountability in health care:

- The National Quality Forum (NQF), which involves all major stakeholders, is recognized nationally as the group which endorses consensus standards that ensure consistent definitions and specifications for measuring the quality of care in the U.S.

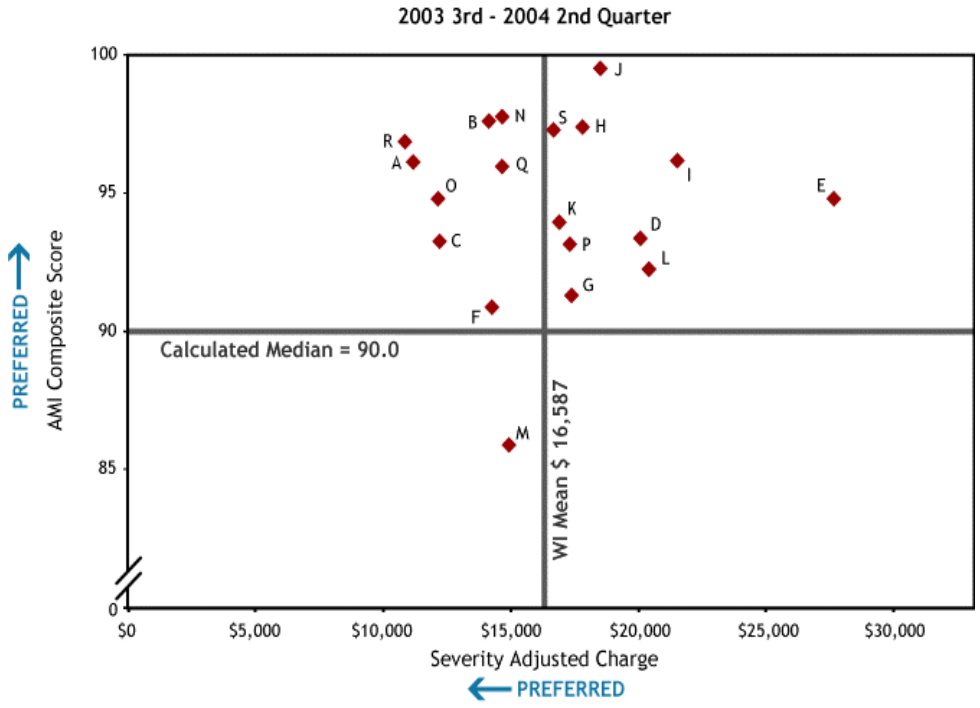
- There are numerous organizations at the local, state, and national levels using NQF measures to produce information for public reporting and to drive performance improvement. Currently three organizations are widely recognized. They are CMS, The Joint Commission, and The Leapfrog Group. Others have focused on a specific NQF measurement such as hospital infection rates and

"never events" which also provide meaningful information to consumers, patients, and purchasers. (Note: Generally speaking, Iowa hospitals only report the CMS starter set measure where there is a financial incentive to do so put in place by the Federal Government which requires this reporting or they get paid less).

- A majority of states have provided for at least some meaningful public reporting. Several are state run data organizations, i.e., Pennsylvania, Florida, and Massachusetts. Some 27 states require hospitals to public report their infection rates and many state require hospitals to publicly report on their "never events". These are 28 events identified by the NQF that should never happen. The state of Maine has taken a different approach using a positive incentive. State employees and their family members have their hospital deductibles waived if they use hospitals that report on their patient safety to The Leapfrog Group. Nearly all of the state's hospitals now report unlike Iowa where only a handful do. In other states providers have stepped-up to publicly report in a meaningful way.

The Wisconsin Collaborative for Healthcare Quality is a leader in this regard. See diagram below as an example of their public reporting of quality and cost by individual hospital in Wisconsin for acute myocardial infarction (heart attack).

Cost and Quality Value Equation: Example



The Wisconsin Collaborative for Healthcare Quality and ThedCare have found many benefits to heath provider and systems in publicly reporting this type of data: 1) business differentiator, 2) motivates health systems people to get better by improving their processes (LEAN transformation), 3) public reporting through the state/public agency is much more powerful with their customers (employers and employees) than by its own reporting which is perceived by the public as self-serving. (Notice that the hospitals with higher than median quality scores participated in this voluntary reporting program.

While Iowa is far behind other states in meaningful public reporting of health care providers' performance on quality and patient safety, there is no reason why we can't become a leader as we are in other fields. It will take courage and real leadership to do the right thing to advance our health care quality and value which will clearly be in the best interest of all Iowans.

Meaningful public reporting is becoming more broadly supported by the Iowa public, the media, and also on a bi-partisan basis. The Des Moines Register has been running a series of articles and editorials supporting public reporting of hospital infection rates recently. There is growing knowledge and support among the public as well.

The Iowa GOP has joined the Iowa Democratic leaders in support of public reporting. In September, 2009 Republican legislators offered health care reform ideas of "Common sense and market-based approaches". Their proposals include "increasing the availability of information about health care costs and quality".

The Iowa Association of Business and Industry (ABI) support transparency and public reporting as well. In their 2010 Policy: "ABI supports increased transparency in the health care industry, including comparative public reporting of licensed independent health providers' quality, outcomes, and fees." Also, "ABI supports a consumer-driven, free market employee benefit system emphasizing quality and comparative pricing.

Last summer, in the heat of debate on national health reform, a guest commentator on Sunday's Meet the Press remarked: "In many ways, health care is as secretive as the CIA". Thank goodness this is changing all across the U.S. now. We hope Iowa will help lead the way in this transformation for real transparency and meaningful public reporting.

In conclusion, the IHBA recommends the following actions:

1. The Commission should significantly expand upon its Recommendation #10 contained in its January, 2010 Progress Report to promote and assure meaningful public reporting of health provider performance in Iowa. In doing so, it should endorse and fully support comparative public reporting of health provider quality, patient safety, and cost that are meaningful to consumers, patients, and purchasers.

2. The Commission should recommend that an agency of state government, preferably the Iowa Department of Human Services, be designated to drive meaningful public reporting of health provider's performance in Iowa in the interests of consumers, patients, and purchasers as well as providers. (Note: DHS is a good fit since it already has responsibility to provide information to consumers and patients through the Iowa Medicaid Program). The state agency should develop an Iowa Health Services Provider Statewide Information Hub that makes available to the general public Iowa health care providers' quality, patient safety and cost information and other data that are meaningful to consumers and patients. The Hub should include a searchable public website which is consumer friendly.

3. The State of Iowa should further transparency and meaningful public reporting of health provider performance through the value-based purchasing efforts of the

Department of Administrative Services and the Iowa Medicaid Program. As Iowa's two large health care purchasers, they should lead the way through direct purchasing and/or health plans specifications requiring more meaningful public reporting of health provider performance. A careful and full review of leading efforts in other states should be done in this regard.

4. In preparing its recommendation in regard to the above three items the Commission should review and report upon efforts underway in other states There are numerous states which publicly report provider performance which is meaningful to consumers, patients, and purchasers. These include Pennsylvania, Florida, Maine, Minnesota, and Massachusetts as well as the Wisconsin Collaborative for Healthcare Quality.

We hope that this work group and the Commission will fully consider these recommendations and the information I presented today. The Iowa Health Buyers Alliance is available to assist you upon request. Just as the hospitals have their associations, doctors have their societies, and insurance companies have their organizations so should consumers and purchasers of health care be organized and engaged. IHBA is stepping up to provide this missing voice and focus. Thank you.

Attachments/Handouts:

1) Commonwealth Fund article "Transparency and Public Reporting Are Essential for a Safe Health Care System"
2) IHBA Consumers' Guide 4: Ranking of Hospitals for Chronic Care, Greater Iowa Area
3) IHBA Dartmouth Atlas Reporting at the Local Level: Iowa Case Study
4) IHBA Consumers' Guide 3: What Patients "say" About Their Experiences with Hospital Care in the Greater Iowa Area

Available upon request:

5) IHBA Consumers' Health Guides Series and "Ask Your Doctor" Cards listing
6) Midwest Business Group on Health report "Reducing the Cost of Poor-Quality through Responsible Purchasing Leadership"., 2002
7) Rand Corporation report " U.S. Health Care: Facts About Cost, Access, and Quality", 2005
8) "Too Much Treatment? Aggressive Medical Care Can Lead to More Pain, With No Gain", John Wennberg, MD and Elliott Fisher, MD, Dartmouth Atlas of Health Care, Consumer Reports, July, 2008
9) IHBA "Comparative Public Reporting of Health Provider Quality and Cost"
10) "Summary of the Delivery and Payment Reform Elements of the Patient Protection and Affordable Care Act of 2010, Consumer-Purchaser Disclosure Project

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